

**Notice on the 2021 Financial Markets Business Delegation of Authority  
and Risk Limit Allocation of Financial Markets Department of London  
Branch**

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VERSION 1 OF 2021

Version description		
Number	Version	Revisions
1	Version 1 of 2021	• Creation.

**Notice on the 2021 Financial Markets Business Delegation of  
Authority and Risk Limit Allocation of Financial Markets  
Department of London Branch**

**I. Delegation of Authority**

i. Permitted business

1. Trading business

(1) Foreign currency interest rate trading

<b>Permitted products</b>	
Foreign currency interest rate derivatives trading	<ul style="list-style-type: none"> <li>Interest rate swap, limited to such currencies as USD, EUR, JPY, HKD, GBP and CNH</li> </ul>

(2) FX trading

<b>Universal permitted products</b>	
<ul style="list-style-type: none"> <li>FX Spot, Forward, Swap</li> </ul>	
<b>Business unit</b>	<b>Specially permitted products</b>
RMB FX	CNH FX spot, forward, swap
FX trading	-
Currency swap	Cross currency swap (including CNH swap) (management requirement 1.1)

2. CNY bond investment

<b>Permitted products</b>
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- Treasury bond, Local Government Bond, PBOC Bills, Policy Bank Bond
- Financial Institution Bond, Interbank CD
- Short Term Papers, Medium Term Notes, Enterprise Bond, Corporate Bond, Private Placement Notes, NCD
- Interest rate swap (IRS), Forward rate agreement (FRA),

### 3. Foreign currency bond investment

Permitted products
<ul style="list-style-type: none"> <li>• Sovereign, Supranational and Agency Bond and Bills with optionality</li> <li>• Commercial Paper, CD, Corporate Bonds, with optionality (management requirement 1.2)</li> <li>• Forward rate agreement (FRA), interest rate swap (IRS), cross currency swaps</li> </ul>

### 4. Foreign currency treasury business

Permitted products
<ul style="list-style-type: none"> <li>• Internal borrowing/lending</li> <li>• Interbank borrowing/lending, FX spot, forward and swap</li> <li>• Repo, US treasury bills, CD/CP, short term corporate bond, UK Gilt, German bills mature within one year</li> <li>• CD issuance</li> <li>• FRA, IRS, cross currency swaps</li> </ul>

#### ii. Requirements

1.1 RMB vs. foreign currency swap trading (excluding policy trading) is closed on a back-to-back basis or closed by broken into RMB vs. FX swap + RMB interest rate swap trading + foreign currency interest rate swap trading.

1.2 Investing in junior corporate bond needs special approval.

## II. Risk Limit

#### i. Limit allocation

##### 1. Trading business

- Interest rate trading

(1) Foreign currency interest rate derivatives trading

Heads of London Branch		Head of Financial Markets Department of London Branch
President of Branch	Vice President of Branch	
Xu Jinlei	Zhao Gang	Richard Thaiss
<ul style="list-style-type: none"> <li>• Open position above 1 year <math>\leq</math>USD1,900,000</li> <li>• PVBP <math>\leq</math> USD19,000</li> <li>• Monthly stop loss <math>\leq</math>USD95,000</li> </ul>	<ul style="list-style-type: none"> <li>• Open position above 1 year <math>\leq</math>USD1,900,000</li> <li>• PVBP <math>\leq</math> USD19,000</li> <li>• Monthly stop loss <math>\leq</math>USD95,000</li> </ul>	<ul style="list-style-type: none"> <li>• Open position above 1 year <math>\leq</math>USD1,600,000</li> <li>• PVBP <math>\leq</math> USD16,000</li> <li>• Monthly stop loss <math>\leq</math>USD80,000</li> </ul>

- FX trading

(2) FX Spot, Forward, Swap and Cross Currency Swap

Heads of London Branch		Head of Financial Markets Department of London Branch
President of Branch	Vice President of Branch	
Xu Jinlei	Zhao Gang	Richard Thaiss
<ul style="list-style-type: none"> <li>• FX exposure <math>\leq</math>USD4,750,000</li> <li>Non- USD exposure <math>\leq</math> USD1,900,000</li> <li>• Term <math>\leq</math> 5 years</li> <li>• Unilateral PVBP <math>\leq</math> RMB47,500</li> <li>• Monthly stop loss <math>\leq</math> RMB1,425,000</li> </ul>	<ul style="list-style-type: none"> <li>• FX exposure <math>\leq</math>USD4,750,000</li> <li>Non- USD exposure <math>\leq</math> USD1,900,000</li> <li>• Term <math>\leq</math> 5 years</li> <li>• Unilateral PVBP <math>\leq</math> RMB47,500</li> <li>• Monthly stop loss <math>\leq</math> RMB1,425,000</li> </ul>	<ul style="list-style-type: none"> <li>• FX exposure <math>\leq</math>USD4,000,000</li> <li>Non- USD exposure <math>\leq</math> USD1,600,000</li> <li>• Term <math>\leq</math> 5 years</li> <li>• Unilateral PVBP <math>\leq</math> RMB40,000</li> <li>• Monthly stop loss <math>\leq</math> RMB1,200,000</li> </ul>

(3) Cross-border Spread Trading

Heads of London Branch		Head of Financial Markets Department of London Branch
President of Branch	Vice President of Branch	
Xu Jinlei	Zhao Gang	Richard Thaiss
<ul style="list-style-type: none"> <li>• Notional amount <math>\leq</math> USD285,000,000</li> <li>• Yearly Mark to market loss <math>\leq</math> RMB28,500,000</li> <li>• Max term <math>\leq</math> 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• Notional amount <math>\leq</math> USD285,000,000</li> <li>• Yearly Mark to market loss <math>\leq</math> RMB28,500,000</li> <li>• Max term <math>\leq</math> 3 years</li> </ul>	<ul style="list-style-type: none"> <li>• Notional amount <math>\leq</math> USD240,000,000</li> <li>• Yearly Mark to market loss <math>\leq</math> RMB24,000,000</li> <li>• Max term <math>\leq</math> 3 years</li> </ul>

Note: Risk limit will be combined with cross-border spread trading of the FX Trading Division of Financial Markets Department of the Head Office.

## 2. CNY bond investment

<ul style="list-style-type: none"> <li>• FVOCI portfolio duration <math>\leq</math> 4.2 years</li> <li>• Total duration <math>\leq</math> 4 years</li> <li>• Credit Bonds share of all CNY bond holdings <math>\leq</math> 30%</li> <li>• Bond rated below AA (including no rating) share no greater than 5%</li> </ul> <p>The above limits are calculated together with HO Financial Markets.</p> <ul style="list-style-type: none"> <li>• Total size no greater than 150 million USD, count together with foreign currency bond investment</li> <li>• Single issuer investment above \$10,000,000 needs approval from head office Financial Markets Department</li> <li>• For Private Placement Bond <ul style="list-style-type: none"> <li>• Issuer rating no lower than AA+</li> <li>• Size no greater than 100 million CNY, no greater than 50 billion CNY together with HO holdings</li> <li>• Term <math>\leq</math> 5 years</li> <li>• Share of single issue no greater than 50%, no greater than 20% if CITIC Bank is the lead arranger</li> </ul> </li> </ul>
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### 3. Foreign currency bond investment

- FVOCI portfolio duration  $\leq 2.5$  years
- Total duration  $\leq 2.5$  years
- Average rating  $\geq$ BBB-
- Foreign credit bond rated at BB or below, including no rating)  $\leq 5\%$
- Single credit name, exclude private placement, structured bonds and CD, holding size should below 30% of total issuance; bond exposure will be combined with foreign bond trading for calculation
- Bonds under keepwell agreement  $\leq 20\%$  of total bond holdings

The above limit will be combined with the foreign currency bond business of the Investment Management Division of the Head Office.

- Annual credit bonds investment balance  $\leq$ USD150,000,000
- Single issuer investment above USD10,000,000 needs approval from Head Office Financial Markets Department.

### 4. Foreign currency treasury

Short-term foreign currency bond investment exposure will be combined with foreign currency bond investment exposure to calculate limit as a whole.

## III. Business Management

- i. London FM will carry out business within the scope of delegation of authority. For all permitted business, policies and procedures should be in place to clarify relevant business management mechanisms and procedures and risk control measures.
- ii. All authorized traders/managers in London FM should strictly follow the delegation of authority and risk limit. Breaching limit or product authorization is strictly forbidden.
- iii. For the risk limits that are used by relevant divisions of the Financial Markets Department of the Head Office and combined in calculation, London FM should pay continuous attention to changes in indicator value. When the indicator value reaches limit, it should timely coordinate with the divisions of the Financial Markets Department of the Head Office which also use the limit, to jointly control the indicator value at a reasonable level.
- iv. In case London FM needs to adjust the delegation of authority and risk limit, it should conform to China CITIC Bank's relevant policies regarding delegation of authority and risk limit.
- v. When authorized persons are temporarily out of office due to business trip or

on holiday, London FM needs to delegate authority to backup person and adjust relevant risk limit. At the meantime, London FM needs to properly keep all documents regarding delegation of authority for reference.

vi. When adding, stopping using London FM's portfolio or adjusting authorized traders' authority and limits, London FM should report to the Risk Control Division of Financial Markets Department of the Head Office to adjust delegation of authority.

The issues concerning the delegation of authority and risk limit for relevant business of London FM which are not mentioned herein shall be subject to the latest provisions of the Head Office.

The relevant delegation of authority and risk limit allocation in the Notice shall become effective on the date of signing and issuance by the head of the Financial Markets Department of the Head Office, until the day before the new notice on delegation of authority and risk limit allocation is issued in 2022.

Appendix: Book Structure

Signature of department head: Ye Xuesong

March 5, 2021



## Appendix: Book Structure

Account	Book	Authorized traders
<b>Trading book</b>	LDFX FX spot, forward and swaps	Richard Thaiss, Wang Renjun, Liu Boyang, Liang Yao
	LTRD foreign currency interest rate swap, cross currency swap	Richard Thaiss, Wang Renjun, Liu Boyang, Liang Yao
	LTSY treasury FX spot, forward and swaps	Richard Thaiss, Wang Renjun, Liu Boyang, Liang Yao
<b>Banking book</b>	LDMM interbank borrowing/lending	Richard Thaiss, Wang Renjun, Liu Boyang, Liang Yao
	LLIQ treasury bond book	Richard Thaiss, Wang Renjun, Liu Boyang, Liang Yao
	LINV foreign currency bond investment	Richard Thaiss, Wang Renjun, Liu Boyang, Liang Yao
	LINV CNY bond investment	Richard Thaiss, Wang Renjun, Liu Boyang, Liang Yao